

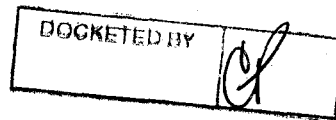


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March 16, 2015

Carmel Hood
Arizona Corporation Commission
Compliance Division
1200 W. Washington St.
Phoenix, AZ 85007-2996

Subject: Compliance Filing for Payson Water Company Decision 74567 (Docket Nos.
W-03514A-13-0111/ W-03514A-13-0142)

Ms. Hood,

Attached, please find a compliance filing regarding water loss as required in the afore-referenced decision. This attached water loss report summarizes water production and water consumption from June of 2014 through February 2015.

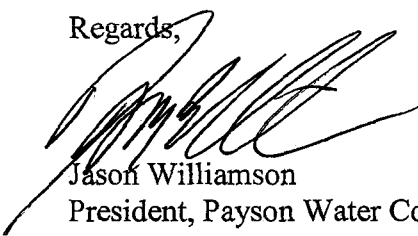
Please note that the Company continues to be concerned about the significant water loss it has experienced in the Gisela/ TCS service area. The problem has gotten worse since our last update, and we continue to work to identify the source of this water loss. Our investigative work has begun and will continue as follows:

- The flow meter on the well was sent back to the factory for testing and it was confirmed and certified as operating properly. A copy of the meter test report is attached hereto.
- Customer meters: Since the last update, the Company has replaced approximately 20 of the oldest water meters on customers' services with the highest historical consumption. We don't believe that the entire water loss could be ascribed to malfunctioning/ dated water meters, but we wanted at least to take this variable, to the extent possible, out of the equation. We are in the process to comparing their use to previous usage to see if we see any appreciable increase in water consumption. If this is the case during the test group, we would immediately move forward with a more extensive meter replacement program.

- It appears more likely now that the source of the problem could be a series of old water lines which served areas destroyed by flooding about a decade ago. It is possible that one or more of these lines was not properly capped, or has subsequently split/ broken and may be leaking without any customers or Company staff noticing (since much of this area is no longer served by roads, and is overgrown.
- Stolen water: It remains possible that unknown or illegal connections have been made recently to the water system. Locations of recent property construction, excavations and trenching in the Company's ROW will be explored to determine if water is being used at unauthorized locations.

Please feel free to contact me with any questions.

Regards,



Jason Williamson
President, Payson Water Co.

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Payson Water Company Water Consumption & Loss Report

Month	System Name	Water Pumped (1000 gal)	Water Purchased (1000 gal)	Water Sold (1000 gal)	Water Loss (%)	NOTES
June-14	Deer Creek	919		652	41.0%	
	Gisela/ Tonto Creek Shores	2149		1661	29.4%	Leaks repaired in July were probably already starting to occur
	E. Verde Park	462		457	1.1%	
	Flowing Spgs.	167		154	8.4%	
	Geronimo/ Elusive Acres	240		229	4.8%	
	Meads Ranch	101		104	-2.9%	This followed the 10K tank replacement with a 2.5K tank, so we likely used storage
	Whispering Pines	827		754	9.7%	
	Mesa Del Caballo	372	1054	1327	7.5%	
	TOTALS:	5237	1054	5338	17.9%	
July-14	Deer Creek	804		561	43.3%	Major leak repaired
	Gisela/ Tonto Creek Shores	1900		1419	33.9%	Major service line leak
	E. Verde Park	367	27	369	6.8%	
	Flowing Spgs.	151		149	1.3%	
	Geronimo/ Elusive Acres	194		224	-13.4%	Well meter malfunctioned - replaced in august
	Meads Ranch	91		79	15.2%	
	Whispering Pines	674		631	6.8%	
	Mesa Del Caballo	366.7	1190.7	1361	14.4%	
	TOTALS:	4547.7	1217.7	4793	20.3%	
August-14	Deer Creek	568		515	10.3%	
	Gisela/ Tonto Creek Shores	1849		917	101.6%	Two major leaks repaired
	E. Verde Park	331		316	4.7%	
	Flowing Spgs.	148		141	5.0%	
	Geronimo/ Elusive Acres	208		194	7.2%	
	Meads Ranch	76		61	24.6%	unknown - will review when Sept. numbers come in
	Whispering Pines	647		606	6.8%	
	Mesa Del Caballo	389.9	913.5	1185	10.0%	Two major leaks repaired
	TOTALS:	4216.9	913.5	3935	30.4%	
September-14	Deer Creek	538		436.4	23.3%	
	Gisela/ Tonto Creek Shores	1571.5		1368.4	14.8%	
	E. Verde Park	314		299	5.0%	
	Flowing Spgs.	102.1		98.3	3.9%	
	Geronimo/ Elusive Acres	138.3		133.1	3.9%	
	Meads Ranch	90		74	21.6%	
	Whispering Pines	487.6		459.4	6.1%	
	Mesa Del Caballo	514.7	837.5	1261.6	7.2%	
	TOTALS:	3756.2	837.5	4130.2	11.2%	
October-14	Deer Creek	423		348.3	21.4%	One service line and one main line repair in Oct.
	Gisela/ Tonto Creek Shores	1267.6		554.7	128.5%	
	E. Verde Park	240.2		222.9	7.8%	
	Flowing Spgs.	74		67.7	9.3%	
	Geronimo/ Elusive Acres	134.3		109.2	23.0%	service line leak/ repair
	Meads Ranch	58.7		61.9	-5.2%	very small difference - likely taken from storage
	Whispering Pines	251.2		224.5	11.9%	
	Mesa Del Caballo	470.4	615.5	1004.2	8.1%	two service line repairs in Oct.
	TOTALS:	2919.4	615.5	2593.4	36.3%	
November-14	Deer Creek	424.6		421.7	0.7%	Wellhead Meter rebuilt chamber and register 11/13/14
	Gisela/ Tonto Creek Shores	1378.3		589.6	133.8%	
	E. Verde Park	273.6		266.7	2.6%	
	Flowing Spgs.	95.3		78	22.2%	
	Geronimo/ Elusive Acres	118.3		134.2	-11.8%	Diff. less than storage - could be storage vol. used
	Meads Ranch	54.1		48.2	12.2%	
	Whispering Pines	282.5		253.3	11.5%	
	Mesa Del Caballo	536.9	500.2	970.9	6.8%	
	TOTALS:	3163.6	500.2	2762.6	32.6%	
December-14	Deer Creek	606.5		330.9	83.3%	Major leak repaired on 12/12
	Gisela/ Tonto Creek Shores	1128.7		468	141.2%	
	E. Verde Park	211.38		201.77	4.8%	
	Flowing Spgs.	78.2		70.3	11.2%	
	Geronimo/ Elusive Acres	123.2		83.3	47.9%	Well meter malfunctioning
	Meads Ranch	36.9		34.9	5.7%	
	Whispering Pines	197		188.6	4.5%	
	Mesa Del Caballo	526	442	876.4	10.5%	1/3/15 leak repair
	TOTALS:	2907.88	442	2254.17	48.6%	
January-15	Deer Creek	526.2		351.4	49.7%	Major leak repaired 2/2
	Gisela/ Tonto Creek Shores	1180.5		461.5	155.8%	Major leak repair on 1/12
	E. Verde Park	260.6		265.9	-2.0%	
	Flowing Spgs.	54		44	22.7%	
	Geronimo/ Elusive Acres	169.8		130.1	30.5%	Well meter malfunctioning
	Meads Ranch	45		31	45.2%	
	Whispering Pines	283.7		258.8	9.6%	
	Mesa Del Caballo	621.78	492.8	1072.8	3.9%	
	TOTALS:	3141.58	492.8	2615.5	39.0%	
February-15	Deer Creek	508		320.2	58.7%	Well #2 flow meter not functioning and was replaced 2/25
	Gisela/ Tonto Creek Shores	1378.4		509	170.8%	Major leak repair on 3/4 (it appeared to have been leaking for some time)
	E. Verde Park	227.7		207.3	9.8%	
	Flowing Spgs.	61.9		50.8	21.9%	
	Geronimo/ Elusive Acres	51.8		107.9	-52.0%	Well meter malfunctioning/ replaced 2/26
	Meads Ranch	37.9		24.8	52.8%	
	Whispering Pines	177.5		160.1	10.9%	
	Mesa Del Caballo	631.9	465.7	964.8	13.8%	
	TOTALS:	3075.1	465.7	2344.9	51.0%	